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Speaker 1

Welcome, my name is Andrew Baron, and this is Well... It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no.

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Speaker 1

In this episode, I asked a question. Should I downsize my home? But before we begin a short disclaimer, this is being recorded on August 13th, 2024. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for a specifically.

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Speaker 1

Getting into it.

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Should I downsize my home? Well... It Depends! Now, downsizing sounds straightforward. Sell your larger home, buy a small one and pocket the difference. But as with most financial decisions, the answer isn't that simple. It depends. Today, I'll be exploring the various factors that can influence whether downsizing is the right move for you.

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Speaker 1

First, let's talk about the financial side.

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One of the primary reasons people consider downsizing is to reduce expenses. A smaller home often means lower mortgage payments, property taxes, insurance and maintenance costs. But

before you get too excited about that extra cash flow, think about the costs involved in the downsizing process itself. Selling your home comes with closing costs, real estate commission and potential capital gains taxes.

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Speaker 1

And let's not forget the cost of purchasing your new, smaller home, which in today's market may not be as affordable as you'd like.

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Speaker 1

Plus, depending on where you move, you might be paying more per square foot than you were before. So if you're looking to downsize purely to save money, it's essential to run the numbers carefully. And remember, it's not just about the sticker price.

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Speaker 1

You want to consider long-term saving versus upfront costs.

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Speaker 1

Next, let's consider lifestyle impact. A smaller home might mean less space to maintain, which can be a relief, especially if you're tired of keeping up with a large property. But it also means less space for your belongings, family gatherings and hobbies. Will you miss having that extra bedroom or the garden that you've cultivated over the years?

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Speaker 1

It's important to weigh the tradeoffs between simplifying your life and potentially losing some of the comforts that you've grown used to. There's also the emotional aspect to consider. If you've lived in your home for decades. It's more than just a house. It's a place filled with memories. The decision to downsize can be an emotional one, and it's important to recognize that.

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Speaker 1

Are you ready to let go of the home where you raised your family? Or are you more excited about the idea of a fresh start in a new space? Another factor to think about is location. Downsizing often means moving to a different neighborhood or perhaps even a different city. Are you considering a move to be closer to family?

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Speaker 1

To find better amenities or live in a more walkable area? Or are you downsizing within the same community? The location you choose can have a big impact on your lifestyle and your finances. For example, moving to a more urban area might increase your cost of living, even if your home is smaller. On the other hand, relocating to a rural area may offer you more space for less money, but it might mean sacrificing some conveniences.

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Speaker 1

Think about what's most important to you in terms of location and how that aligns with your reasons for downsizing.

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Speaker 1

Finally, let's not forget about timing. The decision to downsize isn't just about whether it's a good idea, but also about when it's a good idea. Are you planning to retire soon or are you just tired of the upkeep on a large home?

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Speaker 1

Your timing can affect not only the real estate market conditions, but also your personal readiness for such a change. If you downsize too early, you might find yourself missing that extra space. If you wait too long, you might find challenges in maintaining your home as you age. And of course, the real estate market itself can be unpredictable. You'll want to consider whether you're selling into a buyer's or seller's market and how that might affect your financial outcome.

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Speaker 1

To recap, so should you downsize? Well... It Depends! It depends on your financial situation, your lifestyle preferences, your emotional readiness, your desired location, and your timing. Downsizing can be a smart move for many, but it's not a one size fits all solution. If you are considering downsizing, take the time to think through all of these factors. Talk to a financial advisor.

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Speaker 1

Run the numbers yourself and most importantly, make sure it aligns with your overall life goals. So to answer the question, should I downsize my home? Well... It Depends!

Speaker 1: Andrew Baron, CFP®, EA